GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:3262
ANSWERED ON:15.04.2008
TAX LOSS DUE TO CREATION OF SEZ
Chavda Shri Harisinh Pratapsinh;Prasad Shri Hari Kewal

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the amount of loss of central taxes which the Government is likely to suffer as a result of creation of Special Economic Zones;

(b) the manner in which the Government proposes to meet the losses so suffered;

(c) the base year for calculating the tax profit generated from Special Economic Zones; and

(d) the basis on which the base year has been fixed?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(SHRI JAIRAM RAMESH)

(a)&(b): No such estimates have been made by this Department.However,the quantum of exemptions is dependent on the investments, exports and profits generated by the Developers and units.Further,the benefits derived from multiplier effect of the investments and additional economic activity in the SEZs and the employment generated will far outweigh the quantum of revenue foregone.

(c)&(d): Direct tax benefits are granted as per the provisions of Section 10AA and Section 80-IAB of the Income-tax Act.Under the Special Economic Zones Act, 2005, SEZ units are granted 100% Income Tax exemption on export income for SEZ units under Section 10AA of the Income Tax Act for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.SEZ Developers are granted Income Tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years under Section 80-IAB of the Income Tax Act.